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4. [redacted] the Yugoslav economic situation as it now stands is utterly hopeless. Even Communist authorities will admit privately that they are not sure what to do to correct it. The delay, for example, in publication of the economic reforms still are being disputed among governmental authorities.² Popular confidence in the dinar does not exist and barter is more and more the medium through which goods are being exchanged, particularly between peasant and city dweller. One aspect of the economic situation, the recent drastic rise in the cost of transportation fares, was the result of the Government's desire to punish the peasants. The new fares effectively prevent the peasant from taking his produce to town for black market and barter trading. [redacted] the Government deliberately wishes to keep the peasant on his land and out of the city.

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5. [redacted] the Yugoslav Army, composed mainly of peasants, would not fight, under present circumstances, to sustain the Tito Government should it be attacked. The feeling which produces this unwillingness to fight is brought about by the belief that there is nothing to gain by supporting Tito.

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[redacted] Given the present economic chaos and lack of consumer goods (certain industries excepted), the average Yugoslav is so concerned with day-to-day living that he is becoming less and less a political being. That is to say, the problem of tomorrow's food weighs so heavily on the population that it hasn't time for the luxury of political discussion, political organization against the regime or political action to better its lot. This situation is partly planned by the Government.

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[redacted] the Communists, who at the beginning worried about internal consequences of a westward orientation policy, no longer fear this development. Consequently, the average Yugoslav has lost the urge to fight and possibly die to assist the government which is producing the present situation in Yugoslavia. [redacted] the people really believe that occupation by Soviet or satellite forces could not be measurably worse.

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6. Specifically, [redacted] certain units of the Army would probably fight. Among these [redacted] members of the UDB, but [redacted] whether the UDB would be fighting an attacking army or the Yugoslav population itself, which [redacted] would definitely take advantage of any weapons given it to avenge the crimes which the UDB has committed. If this were not the case, and the UDB fought in its entirety, it still would be a very small and ineffective organization against an attacking army. The population in Vojvodina, realizing its exposed position, will go over to any invading force immediately to get the occupation started and thus avoid useless fighting in the area. [redacted] it is physically possible for units to survive in the mountains if they will be willing to live the rigorous life of partisans again.

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8. [redacted] recent Tito speeches containing rebuffs to the Western countries and re-confirming the Communist character of the regime [redacted] were for internal consumption [redacted]. The internal element being placated is a bureaucracy which surrounds Tito and upon which he is dependent. This bureaucracy is composed of "Communists", but [redacted] their "Communism" is not based on ideological conviction but on materialistic benefits resulting from their Government positions. There is a fear among them that Governmental reform would cause them to lose their present privileged status. Consequently, these re-affirmations of "Communism" are interpreted by them to mean not "Communism" but the status quo for them and their jobs. The degree of the materialistic motivation of the bureaucracy is pointed up by the amount of corruption in the Government and the many arrests and trials for misappropriation of funds and other corrupt practices. It is also the result of the economic chaos and the need for greater purchasing power which is common to all Yugoslavs. Nevertheless, these speeches of Tito's are taken at face value by the average citizen, who believes that they are also taken at face value by the Western nations which show no reaction. The latter is disheartening to the people.

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9. On the subject of Cominformism, [redacted] most important Cominformists have, by now, been weeded out. [redacted] not [redacted] all Cominformists, however, are removed from either the Government or the armed forces. Cominformism in Yugoslavia is confused by the indiscriminate labeling of anti-Tito elements as Cominformists. This is done deliberately by the Government to curry popular favor because, however unpopular is the regime, its break with the Kremlin was decidedly popular and little sympathy is wasted on persons who sincerely desire re-establishment of Yugoslav relations with the Cominform organization. [redacted] the real issue of Cominformism is slight. Opportunists exist as in every country and they will be uncovered when and if Yugoslavia is occupied by Soviet or satellite troops.

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2. Comment: On 28 December the devaluation of the Yugoslav dinar was announced by Finance Minister Milentije Popovic.

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